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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

December 22, 2009

Certified Return Receipt
7003 2260 0002 0247 8935

Frank Nichols
Fiddlers Canyon Dev LTD
2045 North Main Street
Cedar City, Utah 84770

Subject: Deficient Reclamation Surety, Fiddlers Canyon Development, Walker Iron Placer Mine, S/021/0038, Iron County, Utah

Dear Mr. Nichols:

The Division of Oil, Gas and Mining has reviewed the reclamation surety for the Walker Iron Placer Mine. This surety was due for review on May 8, 2009. Your current reclamation surety is \$18,000 which the Division is holding in the form of cash. The Division has recalculated the surety based on your permitted area of five acres to be:

\$24,600 escalated for 3 years (surety amount next reviewed in 2012) OR
\$25,200 escalated for 5 years (surety amount next reviewed in 2014)

The Division uses standard per-acre costs to determine surety amounts for small mines. The figures used are shown in the following table:

Project Size (Acres)	Surety 3 & 5 year escalation	Comments
1 or less acres	\$7,400 (3-year escalation) \$7,600 (5-year escalation)	Minimum amount required
Additional acres up to 5 acres	\$4,300/ acre (3-year escalation) \$4,400/acre (5-year escalation)	Partial acreages rounded up (e.g., 1.2 acres = 2 acres)
Cumulative Amount for 5-acres	(i.e. Maximum of 5 acres = \$7,400 +\$17,200 = \$24,600) (3-year escalation) (i.e. Maximum of 5 acres = \$7,600 +\$17,600 = \$25,200) (5-year escalation)	\$600.00 difference between 3 and 5 year escalation amount for 5-acres of disturbance.

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Based on the information in the NOI, the Division has determined that you must post additional surety in the amount of:

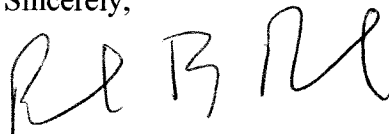
\$6600 for 3-year escalation OR
\$7200 for 5-year escalation

An option for reducing the reclamation liability and the surety requirement would be to reclaim a portion of the site and to submit a revised NOI showing the reduced acreage figure.

If you decide to reclaim and submit an amendment, please notify the Division and provide a reclamation schedule no later than February 15, 2010. Otherwise, please submit the additional surety by February 15, 2010.

Please contact surety coordinator, Penny Berry, 801-538-5291, for instructions on how to submit this increased surety. She can be reached at 801-538-5291 or by e mail at bondcoordinator@utah.gov. If you have questions or concerns regarding this letter, please contact me at 801-538-5261 or Tom Munson at 801-538-5321.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Baker'.

Paul Baker
Minerals Program Manager